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Message Text

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ACTION NEA-12

INFO OCT-01 EUR-25 EA-11 ISO-00 IO-14 SAJ-01 CIAE-00

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AMEMBASSY KABUL UNN
AMEMBASSY MOSCOW UNN

C O N F I D E N T I A L SECTION 1 OF 2 NEW DELHI 14939

E.O. 11652: GDS
TAGS: PFOR IN NP
SUBJECT: INDIA-NEPAL RELATIONS

REF: NEW DELHI 9953

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SUMMARY: FRICTION IN INDO-NEPALESE RELATIONS WILL REMAIN. INDIA IS CONCERNED, FOR SECURITY REASONS, ABOUT NEPAL-CHINA RELATIONSHIP. IT WILL CONTINUE TO SHELTER THE OPPOSITION NEPALI CONGRESS LEADERS AGAINST THE DAY WHEN IT MAY WISH TO SUPPORT A BID BY THEM TO GAIN

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POWER. WHILE IT IS BOTH WILLING AND ABLE TO SPARE SOMETHING TO MEET NEPAL'S ECONOMIC NEEDS, IT WON'T BE ABLE TO MEET ALL OF NEPAL'S ECONOMIC DEMANDS ON IT. BUT WE DO NOT SEE INDIA INTERVENING IN NEPAL UNDER PRESENT CONDITIONS. IT FEELS IT CAN LIVE WITH THE PRESENT LEVEL OF CHINESE INFLUENCE. IT RECOGNIZES THE KING IS STRONGER THAN THE NEPALI CONGRESS. OUR INFLUENCE ON INDIAN POLICY IN NEPAL IS MINIMAL. END SUMMARY.

1. THE SETTING: INDIA AND NEPAL CANNOT AVOID INVOLVEMENT IN EACH OTHERS AFFAIRS. THE BORDER IS LONG AND OPEN, WITHOUT PHYSICAL BARRIERS. LANGUAGE, RELIGION, AND OFTEN EVEN CASTE AND FAMILY LINK PEOPLE ON EITHER SIDE OF THE FRONTIERS. SEVERAL MILLION NEPALESE WORK OR STUDY IN INDIA OR SERVE IN THE INDIAN ARMY. ACCORDING TO THE 1971 NEPAL CENSUS, THERE ARE 130,000 PEOPLE WHO CONSIDER THEMSELVES INDIANS WORKING OR TRADING IN NEPAL. 90 PERCENT OF NEPAL'S FOREIGN TRADE IS WITH INDIA.

2. CHINA: INDIA HAS CONSISTENTLY MAINTAINED THAT NEPAL IS WITHIN INDIA'S SECURITY FRONTIER. IT DOESN'T WANT CHINA ESTABLISHED ON THE SOUTHERN SIDE OF THE TIBETAN MASSIF WITH EASY ACCESS TO THE HINDI-SPEAKING HEARTLAND OF INDIA ACROSS THE 500-MILE INDIA-NEPAL BORDER. (IT ALREADY WORRIES SOMEWHAT ABOUT ASSISTANCE TO MAOISTS IN INDIA THROUGH THE CHINESE EMBASSY IN KATHMANDU.) OVER THE YEARS, HOWEVER, INDIA HAS COME TO ACCEPT A WEAKER SECURITY RELATIONSHIP WITH NEPAL AND A GREATER CHINESES INVOLVEMENT THERE. WHILE STILL INTENSELY SUSPICIOUS OF THE SINO-NEPALESE RELATIONSHIP, INDIA SEEMS TO HAVE ARRIVED AT A REALISTIC CONCLUSION THAT, GIVEN ITS ESTABLISHED TIES TO NEPAL AND THE INCREASING NEPALESE NATIONAL UNITY, THE RELATIVELY SMALL CHINESE PRESENCE AND INFLUENCE IN NEPAL WILL NOT HARM INDIA. INDIA'S MEANS OF APPLYING PRESSURE ON NEPAL -- MORE OVERT SUPPORT FOR "DEMOCRATIC FORCES" SUCH AS THE NEPALI CONGRESS AND/OR ECONOMIC WARFARE -- ARE POTENT. WHILE INDIA REMINDS NEPAL OF ITS CONCERNS (E.G., ABOUT CHINESE AID TECHNICIANS NEAR THE INDIAN BORDER), IT DOES NOT APPLY SUCH PRESSURES AND IT CONTINUES ITS ECONOMIC ASSISTANCE TO NEPAL.

3. NEPAL'S STAND IN INDIA'S DISPUTE WITH CHINA'S ALLY, PAKISTAN,
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NOW REASSURES INDIA. NEPAL DESERTED THE MAJORITY AND ABSTAINED IN THE IMPORTANT VOTE IN THE GENERAL ASSEMBLY DURING THE 1971 INDIA-PAKISTAN WAR. IT ALSO RECOGNIZED BANGLADESH PROMPTLY. IN THE COMMUNIQUE ON THE KING'S VISIT LAST MONTH, NEPAL ACCEPTED A REFERENCE TO THE NEED FOR RECOGNITION OF THE REALITIES OF THE SIITUATION IN THE SUBCONTINENT.

4. HOW FAR WOULD INDIA LET NEPAL GO? FORMER NEPALESE FOREIGN MINISTER RISHIKES SAID THAT IN
DECEMBER 1970 HIGH INDIAN
OFFICIALS WARNED HIM THAT IF ANY CHINESE MILITARY UNIT WAS EVER INVITED TO NEPAL OR ENTERED IT ON CHINESE INITIATIVE, THE INDIAN ARMY WOULD OCCUPY NEPAL. ON THE OTHER HAND, FOREIGN MINISTER

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SWARAN SINGH TOLD PARLIAMENT IN APRIL 1973 THAT THERE WAS NO NEED FOR ANYONE TO WORRY ABOUT THE PRESENCE OF CHINESE TECHNICAIANS IN NEPAL 25 MILES FROM THE INDIAN BORDER. BUT WE BELIEVE INDIA WOULD NEVERTHELESS BE CONCERNED ABOUT A SIGNIFICANT INCREASE IN SINO-NEPALESE COOPERATION EVEN IF THIS DID NOT INVOLVE MILITARY COOPERATION.

5. ON THE OTHER HAND, INDIAN FOREIGN MINISTRY OFFICIALS DON'T EXPECT THIS TO HAPPEN. THEY SEE THE CHINESE AS HAVING KEPT THEIR ASSISTANCE TO NEPAL PROPORTIONATELY LOWER THAN INDIA'S AND LIKELY TO DO SO IN THE FUTURE. THEY DOUBT CHINA WOULD TAKE THE INITIATIVE DRAMATICALLY TO INCREASE IS INFLUENCE IN NEPAL EXCEPT IN THE CONTEXT OF SUBSTANTIAL CHANGES ELSWHERE IN THE SUBCONTINENT. FOR OUR PART, WE ARE NOT AWARE OF ANY EVIDENCE THAT THE CHINESE HAVE EVER LED THE NEPALESE TO EXPECT GREATER CHINESE ECONOMIC OR MILITARY INVOLVEMENT IN NEPAL. INSTEAD THERE IS A SORT OF GAME IN WHICH THE NEPALESE PERIODICALLY HINT AT GREATER CHINESE INTEREST IN ORDER TO BARGAIN WITH INDIA; AND THE INDIANS PROFESS GREATER FEAR OF THE CHINESE IN ORDER TO PRESSURE NEPAL. FOR THEIR PART, THE CHINESE APPEAR TO BE CONTENT TO LOOK ON BENIGNLY AND ALLOW BOTH SIDES TO JOCKEY BACK AND FORTH SO LONG AS CHINESE INTERESTS -- PRIMARILY IN THE SECURITY OF TIBET -- ARE NOT ADVERSELY AFFECTED.

6. THE NEPALI CONGRESS: LEADERS OF THE NEPALI CONGRESS PARTY, WHICH WON A TWO-THIRDS MAJORITY IN THE 1959 PARLIAMENTARY ELECTIONS IN NEPAL, LIVE IN EXILE IN INDIA. THIER HEAD, B.P. KOIRALA, PERIODICALLY TALKS ABOUT THE NEED FOR VIOLENT REVOLUTION IN NEPAL, INDIA MAINTAINS THAT IT CANNOT FORCE THESE NEPALESE CONFIDENTIAL

POLITICIANS OUT OF INDIA OR EVEN MAKE THEM MOVE AWAY FROM THE BORDER. IT ARGUES, CORRECTLY, THAT THE NEPALI CONGRESS LEADERS FOUGHT FOR INDIAN INDEPENDENCE SIDE BY SIDE WITH THE INDIAN NATIONAL CONGRESS (NOW THE CONGRESS PARTY) AND THAT B.P. KOIRALA WAS ONCE PRIME MINISTER OF NEPAL. THE NEPALI CONGRESS LEADERS MAINTAIN CLOSE PERSONAL RELATIONS WITH THEIR OLD FRIENDS, SOME OF WHOM CONTINUE AS SENIOR CONGRESS PARTY POLITICIANS IN THE INDIAN STATES OR IN NEW DELHI. WHILE THESE TIES HAVE DIMINISHED IN THE YEARS SINCE INDIAN INDEPENDENCE AND WILL DIMINISH FURTHER AS THE GENERATION OF "FREEDOM FIGHTERS" IN THE TWO COUNTRIES DIES OFF, THEY ARE STILL A FACTOR FOR THE TIME BEING.

7. EMOTIONALLY, INDIA FAVORS THE NEPALI CONGRESS. IT FEELS A NEPALI CONGRESS GOVERNMENT WOULD BE MORE PRO-INDIAN THAN THE KING; IT HAS DOUBTS ABOUT THE LONG-RUN SURVIVABILITY OF THE MONARCHY; AND IT THINKS ITS OWN FORM OF GOVERNMENT, PARLIAMENTARY DEMOCRACY, IS A BETTER -- AND IDEOLOGICALLY MORE ACCEPTABLE -- SYSTEM. REALISTICALLY, HOWEVER, INDIA RECOGNIZES THAT THE NEPALI CONGRESS DOESN'T HAVE THE STRENGTH TO OVERTHROW THE KING TODAY. INDIAN FOREIGN MINISTRY OFFICIALS REFER TO THE NEPALI CONGRESS LEADERS AS A BUNCH OF PAMPHLETEERS AND DERIDE ITS ORGANIZATION WITHIN NEPAL. INDIA ALSO REALIZES THAT THE KING IS TRYING TO STRENGTHEN NEPALESE

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NATIONALISM, WHICH IT SEES AS A BULWARK AGAINST POSSIBLE CHINESE INFLUENCE. MOREOVER, INDIA BELIEVES THAT A LIKELY NEPALESE REACTION TO AN ATTEMPTED NEPALI CONGRESS INSURRECTION MIGHT BE TO THREATEN TO MOVE CLOSER TO CHINA.

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ACTION NEA-12

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8. SHOULD THE KING BEGIN TO LOSE HIS GRIP, HOWEVER, INDIA MIGHT WANT TO "UNLEASH" THE NEPALI CONGRESS LEADERS. IT, THEREFORE, CONTINUES TO HARBOR THEM. IT PROBABLY ASSISTS SOME OF THEM FINANCIALLY; IT CERTAINLY ALLOWS THEM TO GET PRIVATE FINANCIAL ASSISTANCE. IT RECEIVES THEM AT A HIGH, BUT NOT AT TOO HIGH A LEVEL WHEN THEY COME TO DELHI. IT KEEPS TRACK OF THEIR MOVEMENTS
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THROUGH SURVEILLANCE, WHICH HAS REPORTEDLY INCREASED SINCE THE KING'S VISIT LAST MONTH. INDIAN SUPPORTERS OF THE NEPALI CONGRESS, WHO PRESUMABLY REFLECT THE VIEWS OF THE NEPALI CONGRESS LEADERS THEMSELVES, BITTERLY COMPLAIN ABOUT THIS TREATMENT. THEY SAY INDIA IS LETTING DOWN ITS FRIENDS FOR THE SAKE OF WOOING NEPAL AWAY FROM CHINA.

9. THE GOI WOULD LIKE THE KING TO LIBERALIZE THE SYSTEM AND/OR TO REACH AN AGREEMENT WITH ONE OF THE LESS RADICAL NEPALI CONGRESS LEADERS. IT HAD HOPES OF SOME LIBERALIZATION SOON AFTER KING BIRENDRA CAME TO POWER. MORE RECENTLY, AN INDIAN DIPLOMAT IN KATHMANDU SUGGESTED THAT A COMPROMISE BETWEEN THE KING AND THE CONSERVATIVE WING OF THE NEPALI CONGRESS WOULD ENABLE THE GOI TO DEAL MORE HARSHLY WITH B.P. KOIRALA AND HIS SUPPORTERS (KATHMANDU 2979).

10. INDIAN AMBASSADOR DESIGNATE TO KATHMANDU, M. RASGOTRA, WHO WAS THE AGENT FOR INDIAN INVOLVEMENT IN NEPALESE INTERNAL AFFAIRS DURING HIS ASSIGNMENT THERE AS SECOND SECRETARY 1954 TO 56, MAY REESTABLISH HIS CONTACTS WITH NEPALESE POLITICIANS WWEN HE RETURNS. BUT FOREIGN MINISTRY OFFICIALS INSISTTHAT RASAGOTRA WILL FOLLOW THE PRESENTDAY POLICY AND DEAL WITH NEPAL AS IT IS RATHER THEN TRYING TO MAKE AND BREAK GOVERNMENTS.

11. ECONOMIC: AS A RESULT OF INDIANPRESSURE ON NEPAL IN THE LATE 1960'S AND THE ACRIMONIOUS NEGOTIATIONS LEADING TO THE 1971 TRADE AND TRANSIT TREATY, INDIA FEELS IT ACHIEVED ITS MAJOR OBJECTIVE OF STOPPING THE FLOW OF GOODS WHOLLY OR LARGELY OF WESTERN, JAPANESE AND CHINESE ORIGIN INTO INDIA THROUGH NEPAL, AND OF INDIAN PRODUCTS TO NEPAL FOR EXPORT ABROAD TO TAKE ADVANTAGE OF THE MORE LIBERAL NEPALESE EXCHANGE REGULATIONS. SUCH "DEFLECTION" OF TRADE HAS DRA-MATICALLY DECREASED, ACCORDING TO THE GOI. INDIA APPEARS WILLING TO TOLERATE THE LEVEL OF SMUGGLING WHICH STILL CONTINUES.

12. THE MAJOR PROBLEM NOW APPEARS TO BE ASSOCIATED WITH ACTUAL OR POTENTIAL MUTUAL ECONOMIC DEPENDENCE IN A PERIOD OF GENERAL SHORTAGE. NEPAL, FOR EXAMPLE, WANTS TO CONTINUE TO BUY CEMENT, STRUCTURAL STEEL AND PETROLEUM PRODUCTS FOR RUPEES FROM INDIA. NEPAL'S REQUIREMENTS ARE A TINY PERCENTAGE OF INDIA'S TOTAL CONSUMPTION OF THESE ITEMS, BUT THERE IS A TENDENCY IN THE GOI TO FEEL THAT IF INDIA IS GOINGTO EXPERIENCE SHORTAGES, NEPAL SHOULD ALSO. INDIA CONFIDENTIAL

IS GOING TO CONTINUE TO SUPPLY SOME OF THESE CRITICAL ITEMS, BUT SHORTAGES -- PARTICULARLY OF PETROLEUM PRODUCTS -- ARE BOUND TO EFFECT NEPAL AND TO LEAD TO FRICTION.

13. INDIA DESPERATELY NEEDS THE POWER WHICH CAN BE PRODUCED BY PROJECTS SUCH AS THE LARGE DAM ON THE KARNALI RIVER. AS BOTH MAJOR USER AND LOWER RIPARIAN, IT WANTS SOME SAY IN THE DESIGN OF THE PROJECTS. WHILE INDIA SEEMS RESIGNED TO MOVING ONLY AS FAST AS

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NEPAL WISHES ON THESE, IT NOTES THAT NEPAL IS NOW RUNNING A SUBSTANTIAL DEFICIT IN ITS TRADE WITH INDIA AND THAT IN THE LONG RUN ELECTRICITY IS ONE OF THE MAIN ITEMS NEPAL CAN SELL TO INDIA TO BALANCE THE ACCOUNT.

14. AID: INDIA GIVES MORE AID TO NEPAL THAN OT ANY OTHER COUNTRY EXCEPT BANGLADESM HISTORICALLY, IT HAS SUPPLIED ABOUT HALF THE FOREIGN AID REACHING NEPAL. THE CURRENT RATE IS $12 MILLION A YEAR, AND INDIA HAS AGREED TO BUILD AN ESTIMATED $100 MILLION ROAD FROM KATHMANDU TO DHANKUTA. THERE IS ALSO A $14 MILLION STAND-BY CREDIT AVAILABLE TO BOLSTER NEPAL'S DECLINING RESERVES OF INDIAN RUPEES. INDIA VIEWS THIS AID TO NEPAL AS INCREASING THE LONG-RUN SELF-RELIANCE OF THE COUNTRY AND THEREBY REDUCING THE NEPALESE SENSITIVITY ABOUT ITS DEPENDENCY ON AND INFERIORITY TO INDIA. OTHER RETURNS TO INDIA FROM AID TO NEPAL ARE DIRECT BENEFITS TO INDIA AS WELL AS NEPAL (XI.E., IRRIGATION WORKS) THE EXAPNSION OF ECONOMIC AND CULTURAL LINKS TO INDIA, AND A STRENGHTENING OF THE INDIA POSITION IN NEPAL AS OPPOSED TO THAT OF CHINA.

15. U.S. INTERESTS: FOLLOWING THE GENERAL DETERIORATION IN INDO-US RELATIONS IN 1971-72 (AND PARALLELED BY THE IMPROVEMENT IN SINO-US RELATIONS) INDIA GREW MORE SUSPICIOUS OF THE US ROLE IN

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